

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**TABLE OF CONTENTS**

<b><u>Exhibit No.</u></b>		<b><u>Page No.</u></b>
 <b><u>PART 1</u></b>		
	Independent Auditor's Report	2
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4
 <b><u>CURRENT FUND</u></b>		
A	Statements of Assets, Liabilities, Reserves and Fund Balances-- Regulatory Basis	6
A-1	Statements of Operations and Changes in Fund Balance-- Regulatory Basis	8
A-2	Statement of Revenues--Regulatory Basis	9
A-3	Statement of Expenditures--Regulatory Basis	12
 <b><u>TRUST FUND</u></b>		
B	Statements of Assets, Liabilities, Reserves and Fund Balance-- Regulatory Basis	19
 <b><u>GENERAL CAPITAL FUND</u></b>		
C	Statements of Assets, Liabilities, Reserves and Fund Balances-- Regulatory Basis	20
 <b><u>GENERAL FIXED ASSETS GROUP OF ACCOUNTS</u></b>		
G	Statement of Changes in General Fixed Asset Group of Accounts--Regulatory Basis	21
	Notes to Financial Statements	22
 <b><u>SUPPLEMENTAL EXHIBITS</u></b>		
<b><u>CURRENT FUND</u></b>		
SA-1	Statement of Current Cash--Treasurer	38
SA-2	Statement of Current Cash--Collector	40
SA-3	Statement of Change Funds	41
SA-4	Statement of Taxes Receivable and Analysis of Property Tax Levy	42
SA-5	Statement of Tax Title Liens Receivable	43
SA-6	Statement of Sewer Rents and Connection Fees Receivable	43
SA-7	Statement of Sewer Liens Receivable	43
SA-8	Statement of Revenue Accounts Receivable	44
SA-9	Statement of 2009 Appropriation Reserves	45
SA-10	Statement of Accounts Payable	50
SA-11	Statement of Due to State of New Jersey--Veterans' and Senior Citizens' Exemptions	50
SA-12	Statement of Due to State of New Jersey--State Training Fees	50

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**TABLE OF CONTENTS (CONT'D)**

<b><u>Exhibit No.</u></b>		<b><u>Page No</u></b>
 <b><u>CURRENT FUND – (CONT'D)</u></b>		
SA-13	Statement of Prepaid Taxes	51
SA-14	Statement of Tax Overpayments	51
SA-15	Statement of Deposits for Redemption of Tax Sale Certificates	51
SA-16	Statement of Reserve for Payment of Local District School Appropriation (R.S.40:48-17.1 and 17.3)	52
SA-17	Statement of Reserve for Garden State Preservation Trust Funds	53
SA-18	Federal and State Grant Fund--Statement of Federal and State Grants Receivable	54
SA-19	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Appropriated	55
SA-20	Federal and State Grant Fund--Statement of Reserve for Federal and State Grants--Unappropriated	56
 <b><u>TRUST FUND</u></b>		
SB-1	Statement of Trust Cash--Treasurer	58
SB-2	Trust Other Fund--Statement of Investments--(At Amortized Costs)	59
SB-3	Animal Control Fund--Statement of Reserve for Animal Control Expenditures	60
SB-4	Animal Control Fund--Statement of Due from/to Current Fund	61
SB-5	Trust Other Fund--Statement of Due to Violent Crimes Compensation Board	61
SB-6	Trust Other Fund--Statement of Payroll Deductions Payable	62
SB-7	Trust Other Fund--Statement of Miscellaneous Trust Reserves	63
 <b><u>GENERAL CAPITAL FUND</u></b>		
SC-1	Statement of General Capital Cash--Treasurer	65
SC-2	Statement of Investments (At Amortized Cost)	66
SC-3	Statement of Improvement Authorizations	67
SC-4	Statement of Contracts Payable	68
SC-5	Statement of Capital Improvement Fund	68
 <b><u>PART 2</u></b>		
<b><u>SCHEDULE OF FINDINGS AND RECOMMENDATIONS</u></b>		
	Schedule of Financial Statement Findings	70
	Summary Schedule of Prior Year Audit Findings and Recommendations as Prepared by Management	74
	<b><u>OFFICIALS IN OFFICE AND SURETY BONDS</u></b>	76
	<b><u>APPRECIATION</u></b>	77

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**PART 1**  
**REPORT OF AUDIT OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

### **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the Township Committee  
Township of Lower Alloways Creek  
Hancocks Bridge, New Jersey 08038

We have audited the accompanying statements of assets, liabilities, reserves and fund balance-- regulatory basis of the various funds of the Township of Lower Alloways Creek, in the County of Salem, State of New Jersey as of December 31, 2010 and 2009, and the related statements of operations and changes in fund balance-- regulatory basis for the years then ended, and the related statement of revenues-- regulatory basis, statement of expenditures-- regulatory basis, and statement of general fixed assets group of accounts for the year ended December 31, 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements previously referred to have been prepared in conformity with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects on the financial statements of the requirement that the Township prepare its financial statements in accordance with the accounting practices discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Lower Alloways Creek, in the County of Salem, State of New Jersey, as of December 31, 2010 and 2009, or the results of its operations and changes in fund balance for the years then ended.

Furthermore, in our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance— regulatory basis of the various funds of the Township of Lower Alloways Creek, in the County of Salem, State of New Jersey, as of December 31, 2010 and 2009, and the results of its operations and changes in fund balance— regulatory basis of such funds for the years then ended, and the revenues— regulatory basis, expenditures— regulatory basis of the various funds, and general fixed assets, for the year ended December 31, 2010 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2011 on our consideration of the Township of Lower Alloways Creek, in the County of Salem, State of New Jersey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lower Alloways Creek's basic financial statements. The supplementary financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Carol A. McAllister*

Carol A. McAllister  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
May 26, 2011

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and  
Members of the Township Committee  
Township of Lower Alloways Creek  
Hancocks Bridge, New Jersey 08038

We have audited the financial statements (regulatory basis) of the Township of Lower Alloways Creek, in the County of Salem, State of New Jersey, as of and for the year ended December 31, 2010, and have issued our report thereon dated May 26, 2011, which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but were prepared on a regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township of Lower Alloways Creek's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Recommendations to be material weaknesses: findings no. 2010-1 and 2010-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Recommendations to be a significant deficiency: finding no. 2010-3.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Lower Alloways Creek's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs which are described in the accompanying Schedule of Findings and Recommendations as findings no.: 2010-1, 2010-2, 2010-4 and 2010-5.

The Township of Lower Alloways Creek's response to the findings identified in our report are described in the accompanying Schedule of Findings and Recommendations. We did not audit the Township of Lower Alloways Creek's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Township, and the Division of Local Government Services, Department of Community Affairs, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

*Carol A. McAllister*

Carol A. McAllister  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
May 26, 2011

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**CURRENT FUND**  
**Statements of Assets, Liabilities, Reserves and Fund Balances—**  
**Regulatory Basis**  
**As of December 31, 2010 and 2009**

<u>ASSETS</u>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
<b>Regular Fund:</b>			
Cash—Treasurer	SA-1	\$3,219,892.28	\$5,079,293.93
Cash—Collector	SA-2	72,927.14	86,779.18
Cash—Change Funds	SA-3	350.00	350.00
		<u>3,293,169.42</u>	<u>5,166,423.11</u>
<b>Receivables with Full Reserves:</b>			
Delinquent Taxes Receivable	SA-4	50,334.87	75,740.16
Tax Title Liens	SA-5	11,569.90	7,153.15
Sewer Rents and Connection Fees Receivable	SA-6	26,160.20	21,070.37
Sewer Liens	SA-7	1,207.52	907.52
Property Acquired for Taxes—Assessed Valuation	A	2,550.00	2,550.00
Due from Trust—Animal Control Fund	SB-4	903.64	878.03
Revenue Accounts Receivable	SA-8	3,192.73	2,773.58
		<u>95,918.86</u>	<u>111,072.81</u>
<b>Total Regular Fund</b>		<u>3,389,088.28</u>	<u>5,277,495.92</u>
<b>Federal and State Grant Fund:</b>			
Cash—Treasurer	SA-1	256,340.96	287,576.46
Federal and State Grants Receivable	SA-18	126,191.59	119,124.42
<b>Total Federal and State Grant Fund</b>		<u>382,532.55</u>	<u>406,700.88</u>
		<u>\$3,771,620.83</u>	<u>\$5,684,196.80</u>

(Continued)



**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**CURRENT FUND**  
**Statements of Operations and Changes in Fund Balance--Regulatory Basis**  
**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<u>Revenue and Other</u>		
<u>Income Realized</u>		
Fund Balance Utilized	\$3,000,000.00	\$2,335,000.00
Miscellaneous Revenue Anticipated	7,300,874.03	8,080,646.29
Receipts from Delinquent Taxes	74,687.73	43,574.48
Receipts from Current Taxes	2,286,427.87	2,714,257.76
Non-Budget Revenues	268,439.89	308,240.19
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	284,700.98	190,447.58
Tax Overpayments Canceled	267.20	
Statutory Excess -Reserve for Animal Control		1,723.60
	<hr/>	<hr/>
Total Income	13,215,397.70	13,673,889.90
	<hr/>	<hr/>
<u>Expenditures</u>		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,056,854.00	2,856,975.00
Other Expenses	3,239,180.00	3,620,460.00
Deferred Charges and Statutory Expenditures	539,673.53	426,155.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	185.64	267.73
Other Expenses	223,876.06	244,603.36
Deferred Charges and Statutory Expenditures		
For Local District School Purposes	3,359,200.00	3,230,000.00
County Taxes	2,339,707.17	2,789,386.19
Due County for Added Taxes	1,988.12	1,180.47
Interfund Created --Animal Control Trust Fund	25.61	878.03
	<hr/>	<hr/>
Total Expenditures	12,760,690.13	13,169,905.78
	<hr/>	<hr/>
Excess in Revenue	454,707.57	503,984.12
<u>Fund Balance</u>		
Balance Jan. 1	3,149,377.63	4,980,393.51
	<hr/>	<hr/>
	3,604,085.20	5,484,377.63
Decreased by:		
Utilized as Revenue	3,000,000.00	2,335,000.00
	<hr/>	<hr/>
Balance Dec. 31	\$604,085.20	\$3,149,377.63
	<hr/>	<hr/>

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**CURRENT FUND**  
**Statement of Revenues--Regulatory Basis**  
**For the Year Ended December 31, 2010**

---

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$2,286,427.87
Allocated to County Taxes	<u>2,341,695.29</u>

Deficiency to be Supported by Municipal Budget Appropriations	(55,267.42)
---	-------------

Decreased by:

Appropriation "Reserve for Uncollected Taxes"	<u>101,176.10</u>
---	-------------------

Amount Added to Non-Budget Revenue	<u><u>\$45,908.68</u></u>
------------------------------------	---------------------------

Receipts from Delinquent Taxes:

Delinquent Taxes:

Collections	<u><u>\$74,687.73</u></u>
-------------	---------------------------

Interest on Investments and Deposits:

Treasurer	\$1,542,281.63
-----------	----------------

Collector	415.26
-----------	--------

Revenue Accounts Receivable:

Municipal Court:

Regular	19.57
---------	-------

Bail	<u>1.76</u>
------	-------------

\$1,542,718.22

Add: Trust Other Fund Investments:

Amortization of Premium/Discount	<u>44,188.17</u>
----------------------------------	------------------

44,188.17

\$1,586,906.39

(Continued)

## TOWNSHIP OF LOWER ALLOWAYS CREEK

## CURRENT FUND

Statement of Expenditures--Regulatory Basis  
For the Year Ended December 31, 2010

	Appropriations		Expended	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u> <u>Reserved</u>
<u>OPERATIONS WITHIN "CAPS":</u>				
<u>General Government</u>				
Purchasing Department				
Salaries and Wages	\$35,100.00	\$35,100.00	\$35,065.00	\$35.00
Postage	6,000.00	5,000.00	5,000.00	
Other Expenses	5,500.00	5,500.00	3,068.09	\$544.50      1,887.41
Mayor and Township Committee				
Salaries and Wages	38,925.00	38,925.00	38,905.20	19.80
Other Expenses	1,500.00	1,500.00	657.00	843.00
Township Clerk				
Salaries and Wages	107,750.00	107,750.00	107,469.09	280.91
Other Expenses:				
Printing and Legal Advertising	4,000.00	4,000.00	1,849.35	2,150.65
Miscellaneous Other Expenses	28,000.00	26,000.00	11,324.81	3,855.87      10,819.32
Financial Administration				
Salaries and Wages	35,100.00	35,100.00	35,065.00	35.00
Other Expenses	59,500.00	59,500.00	36,828.47	6,180.78
Audit Services	35,000.00	30,000.00	30,000.00	16,490.75
Collection of Taxes				
Salaries and Wages	18,800.00	18,800.00	18,639.00	161.00
Other Expenses	8,000.00	8,000.00	5,934.47	336.00      1,729.53
Assessment of Taxes				
Salaries and Wages	31,100.00	33,600.00	31,334.53	2,265.47
Other Expenses	2,400.00	2,400.00	758.84	83.65      1,557.51
Legal Services and Costs--Fees	45,000.00	41,000.00	31,728.57	4,473.59      4,797.84
Municipal Court				
Salaries and Wages	27,500.00	25,500.00	24,664.35	835.65
Other Expenses	3,000.00	3,000.00	2,402.96	410.54      186.50
Public Defender				
Other Expenses	1,000.00	1,000.00	675.00	175.00      150.00
Engineering Services and Costs--Fees	35,000.00	35,000.00	11,495.94	8,916.35      14,587.71

(Continued)

## TOWNSHIP OF LOWER ALLOWAYS CREEK

## CURRENT FUND

Statement of Expenditures--Regulatory Basis  
For the Year Ended December 31, 2010

	Appropriations		Expended	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u> <u>Reserved</u>
<u>OPERATIONS WITHIN "CAPS" (CONT'D)</u>				
<u>Public Works</u>				
Supervision of Public Works				
Salaries and Wages	\$29,000.00	\$29,000.00	\$29,000.00	\$682.30
Other Expenses	3,500.00	3,500.00	1,237.70	\$1,580.00
Road Repairs and Maintenance				
Salaries and Wages	770,000.00	785,000.00	743,429.81	41,570.19
Other Expenses:				
Miscellaneous Other Expenses				
Municipal Garage	40,000.00	45,000.00	41,542.63	\$1,700.00
Solid Waste Collection/Recycling	95,000.00	105,000.00	79,843.45	23,565.64
Salaries and Wages	203,000.00	215,000.00	191,810.56	23,189.44
Other Expenses	21,000.00	21,000.00	857.15	20,142.85
Public Buildings and Grounds				
Other Expenses	91,000.00	101,000.00	36,199.61	20,461.04
Mosquito Control and Gypsy Moth Program				
Other Expenses	70,200.00	41,200.00	40,070.00	1,130.00
<u>Health and Welfare</u>				
Board of Health				
Other Expenses	5,000.00	2,000.00		2,000.00
Dog Regulation				
Salaries and Wages	6,500.00	6,500.00	6,458.00	42.00
Other Expenses	10,500.00	10,500.00	9,931.95	123.95
<u>Recreation and Education</u>				
Farmland Preservation Program				
Parks and Playgrounds	8,000.00	8,000.00		3,400.00
Salaries and Wages	4,000.00	2,000.00	1,947.97	52.03
Other Expenses	5,000.00	4,000.00	2,662.81	1,337.19
Historical Sites				
Other Expenses	3,000.00	3,000.00	2,358.42	641.58
Aid to Salem County Community College (N.J.S.18A:64A-14)	50,000.00	50,000.00	50,000.00	

(Continued)

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**CURRENT FUND**  
 Statement of Expenditures--Regulatory Basis  
 For the Year Ended December 31, 2010

	Appropriations		Expended	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u> <u>Reserved</u>
Total Operations Including Contingent - within "CAPS"	\$6,296,034.00	\$6,296,034.00	\$5,471,509.08	\$358,935.30      \$465,589.62
Detail:				
Salaries and Wages	3,013,854.00	3,056,854.00	2,896,147.12	160,706.88
Other Expenses (Including Contingent)	3,282,180.00	3,239,180.00	2,575,361.96	358,935.30      304,882.74
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES--MUNICIPAL WITHIN "CAPS"</b>				
Statutory Expenditures:				
Contributions to:				
Police and Firemen's Retirement System of N.J.	179,940.92	179,940.92	179,940.92	
Employees' Retirement System	114,932.61	114,932.61	114,932.61	
Social Security System (O.A.S.I.)	244,800.00	244,800.00	222,606.21	22,193.79
Total Deferred Charges and Statutory Expenditures Within "Caps"	539,673.53	539,673.53	517,479.74	22,193.79
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>6,835,707.53</b>	<b>6,835,707.53</b>	<b>5,988,988.82</b>	<b>358,935.30      487,783.41</b>
<b>OPERATIONS EXCLUDED FROM "CAPS"</b>				
Contributions to:				
Public Employee Retirement System	15,576.39	15,576.39	15,576.39	
Police and Firemen's Retirement System of N.J.	18,078.08	18,078.08	18,078.08	
Length of Service Award Program	25,000.00	25,000.00		25,000.00
Employee Group Health Insurance (P.L. 2007, C.62)	10,720.00	10,720.00	10,720.00	
Recycling Tax	5,000.00	5,000.00		5,000.00
Total Other Operations Excluded from "CAPS"	74,374.47	74,374.47	44,374.47	30,000.00

(Continued)

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**CURRENT FUND**  
 Statement of Expenditures--Regulatory Basis  
 For the Year Ended December 31, 2010

	<u>Appropriations</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Encumbered</u> <u>Reserved</u>
Budget				
Appropriation by NJ 40A:4-87				
		\$10,512,808.74		
		<u>7,336.59</u>		
		<u>\$10,520,145.33</u>		
Reserve for Payment of Local District School Appropriation			\$3,359,200.00	
Reserve for Federal and State Grants Appropriated			149,687.23	
Reserve for Uncollected Taxes			101,176.10	
Disbursed			<u>6,033,363.29</u>	
			<u>\$9,643,426.62</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**GENERAL CAPITAL FUND**  
**Statements of Assets, Liabilities, Reserves and Fund Balances—**  
**Regulatory Basis**  
**As of December 31, 2010 and 2009**

<u>ASSETS</u>	<u>Ref.</u>	<u>2010</u>	<u>2009</u>
Cash	SC-1	\$30,731,390.00	\$41,067,674.04
Investments	SC-2	10,000,000.00	
		<u>\$40,731,390.00</u>	<u>\$41,067,674.04</u>
 <u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>			
Improvement Authorizations—Funded	SC-3	\$333,266.04	\$372,863.12
Reserve for Encumbrances	SC-3	37,682.06	18,147.68
Contracts Payable	SC-4	64,524.28	198,392.59
Capital Improvement Fund	SC-5	40,265,058.32	40,447,411.35
Fund Balance	C	30,859.30	30,859.30
		<u>\$40,731,390.00</u>	<u>\$41,067,674.04</u>

The Accompanying Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2010**

---

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity** - The Township of Lower Alloways Creek was incorporated in 1798 and is located in Salem County and is primarily a rural area 45 square miles in size. The population according to the 2010 census is 1,770.

The form of government is known as a Township pursuant to N.J.S.A. 40A:63-1 et seq. The government consists of (5) Committee Members who are elected at large to three (3) year staggered terms. The Mayor is elected from and by the Members of the Committee and serves a one (1) year term. Under the statutes the Mayor is the head of the government and acts as the executive branch. The Committee acts as the legislative branch of government and has executive powers not assigned to the Mayor.

**Component Units** - The Township of Lower Alloways Creek had no component units as defined by Governmental Accounting Standards Board Statement No. 14.

**Basis of Accounting, Measurement Focus and Basis of Presentation** - The financial statements of the Township of Lower Alloways Creek contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Township of Lower Alloways Creek accounts for its financial transactions through the use of separate funds which are described as follows:

**Current Fund** - The Current Fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

**Trust Funds** - The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

**General Capital Fund** - The General Capital Fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various statements of assets, liabilities, reserves and fund balance.

**General Fixed Assets** - Accounting for Governmental Fixed Assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Township has adopted a capitalization threshold of \$5,000, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the Capital Fund until such time as the construction is completed and put into operation. The Township is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements and transfers of fixed assets. In addition, a Statement of General Fixed Assets, reflecting the activity for the year, must be included in the Township's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage or theft.

**Foreclosed Property** - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

**Deferred Charges** - The recognition of certain expenditures is deferred to future periods. These expenditures, or deferred charges, are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with N.J.S.A. 40A:4-46 et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

**Fund Balance** - Fund Balance included in the current fund represents the amount available for anticipation as revenue in future years budgets, with certain restrictions.

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the Township's budget. Receivables for property taxes and sewer rents are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Note 2: **CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. Although the Township does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). The first \$250,000, for each custodian, of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as escrows, or funds that may pass to the municipality relative to the happening of a future condition. Such funds, if any, are shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2010, the Township's bank balances of \$35,887,199.39 were exposed to custodial credit risk as follows:

Uninsured and Collateralized with Securities Held by Pledging Financial Institutions	<u>\$ 34,332,045.22</u>
---	-------------------------

Note 3: **INVESTMENTS**

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Township, and are held by either the counterparty or the counterparty's trust department or agent but not in the Township's name. None of the Township's \$33,271,465.21 investments in government bonds are held by the counterparty.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Township may purchase such as Treasury securities in order to limit the exposure of governmental units to credit risk. The Township has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** – The Township does not place a limit on the amount that may be invested in any one issuer. All of the Township's investments in Bonds are issued by the New Jersey Economic Development Agency (EDA), New Brunswick New Jersey Parking Authority, Cumberland County New Jersey Improvement Authority, Bergen County New Jersey Improvement Authority, South Jersey Port Corporation, New Jersey Transportation Trust Fund, and New Jersey Education Facilities Authority (EFA).

Note 4: **PROPERTY TAXES (CONT'D)**

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four years (Cont'd).

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2010	\$2,342,237.56	\$2,286,427.87	97.61%
2009	2,792,469.61	2,714,257.76	97.19%
2008	2,152,622.68	2,107,114.02	97.88%
2007	2,316,773.52	2,249,986.90	97.11%
2006	2,199,144.63	2,139,205.35	97.27%

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2010	\$11,569.90	\$50,334.87	\$61,904.77	2.64%
2009	7,153.15	75,740.16	82,893.31	2.96%
2008	2,593.32	45,035.16	47,628.48	2.21%
2007	5,498.12	66,058.16	71,556.28	3.08%
2006	4,421.54	60,071.79	64,493.33	2.93%

The following comparison is made of the number of tax title liens receivable on December 31 of the last five years:

<u>Year</u>	<u>Number</u>
2010	8
2009	8
2008	5
2007	7
2006	3

Note 5: **PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous four years was as follows:

<u>Year</u>	<u>Amount</u>
2010	\$2,550.00
2009	2,550.00
2008	2,550.00
2007	2,550.00
2006	2,550.00

**Note 9: PENSION PLANS**

The Township of Lower Alloways Creek contributes to two cost-sharing multiple-employer defined benefit pension plans, the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), which are administered by the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295

**Public Employees' Retirement System** - The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Township is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions, were as follows:

<u>Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by Township</u>
2010	\$66,056	\$64,453	\$130,509	None	\$130,509
2009	45,798	65,248	111,046	None	111,046
2008	60,460	46,593	107,053	\$21,411	85,642

**Note 10: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)*****Annual OPEB Cost and Net OPEB Obligation (A)***

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Township's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Township's net OPEB obligation to the Plan:

Annual Required Contribution	\$ 1,561,991.00
Interest on Net OPEB Obligation	52,491.05
Annual OPEB Cost (Expense)	1,614,482.05
Contributions Made	(469,647.85)
Increase in Net OPEB Obligation	1,144,834.20
Net OPEB Obligation, January 1, 2010	1,049,821.00
Net OPEB Obligation, December 31, 2010	<u>\$ 2,194,655.20</u>

The Township's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2010, and the one preceding year, were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 1,561,991.00	32.8%	\$ 1,049,821.00
2009	\$ 1,614,482.05	29.9%	1,144,834.20

***Funded Status and Funding Progress***

As of December 31, 2009, the most recent actuarial valuation date, the Township Plan was 0% funded. The actuarial accrued liability for benefits was \$17,726,299, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,726,299. The Township is not authorized by New Jersey State regulatory authorities to fund the accrued liability other than the fiscal year "pay as you go" costs included in the Township's budget. The covered payroll (annual payroll of active employees covered by the plan) was \$2,875,587, and the ratio of the UAAL to the covered payroll was 616.4%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below as required supplementary information, compares the assets used for funding purposes to the comparable liabilities to determine how well the Township Plan is funded. The actuarial liability is compared to the actuarial value of assets to determine the funding ratio. The Actuarial Accrued Liability under GASB is determined assuming that the Township Plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

**Note 12: DEFERRED COMPENSATION SALARY ACCOUNT**

The Township offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Township or its creditors. Since the Township does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Township's financial statements.

**Note 13: LENGTH OF SERVICE AWARD PROGRAM**

The Township's Length of Service Awards Program (LOSAP) was created by a Township Ordinance adopted on August 19, 2008 pursuant to Section 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Lower Alloways Creek approved the adoption of the LOSAP at the general election held on November 4, 2008, and the first year of eligibility for entrance into the LOSAP by qualified volunteers was calendar year 2009. The LOSAP provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Township or its creditors. Since the Township does not have a fiduciary relationship with the LOSAP, the balances and activities of the LOSAP are not reported in the Township's financial statements.

As required by N.J.A.C. 5:30-14.49, the Township must have an annual review of its LOSAP performed in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

**Note 14: RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Employee health and accident insurance and public officials bonds are provided through commercial insurance.

The Township has adopted a plan of self-insurance for general liability coverage. Plan reserves are charged for premium costs for commercial liability coverage as well as funding policy deductibles. In addition, the Township has elected to self-insure all equipment with a value less than \$25,000.00. The balance in the self-insurance fund at December 31, 2010 was \$24,718,175.86. \$2,300,000.00 of this balance was utilized as revenue in the Township's 2011 budget. The Township maintains excess liability insurance of \$9,316,906 for buildings and content with a \$5,000 deductible and \$1,000,000 excess liability insurance for automobiles with a \$1,000.00 deductible.

Settled claims have not exceeded the amount of the excess commercial coverage the last three years.

## SUPPLEMENTAL EXHIBITS

**SUPPLEMENTAL EXHIBITS**  
**CURRENT FUND**



## TOWNSHIP OF LOWER ALLOWAYS CREEK

## CURRENT FUND

## Statement of Current Cash

## Treasurer

For the Year Ended December 31, 2010

	<u>Regular Fund</u>	<u>Federal and State Grant Fund</u>
Balance Dec. 31, 2009	\$5,079,293.93	\$287,576.46
Increased by Receipts:		
Tax Collector	\$2,438,202.25	
Revenue Accounts Receivable	474,588.14	
Interest on Investments and Deposits	1,542,281.63	
Trust Other Fund--Amortization of Premium/Discount	44,188.17	
Energy Receipts Tax	4,977,153.57	
Energy Receipts Tax - Due County	2,218,207.43	
Miscellaneous Revenue not Anticipated	240,560.85	
State of New Jersey Veterans' and Senior Citizens' Exemptions	26,750.00	
Due to State of New Jersey--State Training Fees	1,370.00	
Petty Cash Funds	1,100.00	
Reserve for Garden State Preservation Trust Fund	35,841.00	
Matching Funds for Grants		\$878.34
Federal and State Grants Receivable		131,504.88
	<u>12,000,243.04</u>	<u>132,383.22</u>
Carried Forward	17,079,536.97	419,959.68

(Continued)

TOWNSHIP OF LOWER ALLOWAYS CREEK  
CURRENT FUND  
Statement of Current Cash  
Collector  
For the Year Ended December 31, 2010

Balance Dec. 31, 2009		\$86,779.18
Increased by Receipts:		
Taxes Receivable	\$2,293,783.11	
Sewer Rents and Connection Fees	71,865.76	
Prepaid Taxes	39,034.86	
Tax Overpayments	3,561.54	
Miscellaneous Revenue not Anticipated	15,479.68	
Revenue Accounts Receivable	210.00	
Interest Earned on Deposits	415.26	
Deposit for Redemption of Tax Sale Certificates	<u>9,649.87</u>	
		<u>2,434,000.08</u>
		2,520,779.26
Decreased by Disbursements:		
Reserve for Tax Title Lien Redemptions	9,649.87	
Treasurer	<u>2,438,202.25</u>	
		<u>2,447,852.12</u>
Balance Dec. 31, 2010		<u>\$72,927.14</u>

## TOWNSHIP OF LOWER ALLOWS CREEK

<u>Year</u>	<u>Balance</u> <u>Dec. 31, 2009</u>	<u>2010</u> <u>Levy</u>	<u>Collections</u>		<u>Due from</u> <u>State of</u> <u>New Jersey</u>	<u>Canceled</u>	<u>Transferred</u> <u>From</u> <u>Overpayments</u>	<u>Transferred</u> <u>to Tax</u> <u>Title Liens</u>	<u>Balance</u> <u>Dec. 31, 2010</u>
			<u>2009</u>	<u>2010</u>					
2007	\$3.38							\$3.38	
2009	75,736.78			\$74,687.73				1,042.08	\$6.97
2010	75,740.16	\$2,342,237.56	\$40,080.43	74,687.73 2,219,095.38	\$27,250.00	\$2,258.78	\$2.06	1,045.46 3,223.01	6.97 50,327.90
	\$75,740.16	\$2,342,237.56	\$40,080.43	\$2,293,783.11	\$27,250.00	\$2,258.78	\$2.06	\$4,268.47	\$50,334.87

## Analysis of 2010 Property Tax Levy

General Property Tax	\$2,340,249.43
Added Taxes (54:4-63.1 et seq.)	<u>1,988.13</u>

**\$2,342,237.56**

County Taxes:	
County Taxes	2,286,343.96
County Open Space Taxes	53,363.21

Due County for Added Taxes	2,339,707.17
	1,988.12

**Total County Taxes** 2,341,695.29

Local Tax for Municipal Purposes	---
Add: Additional Tax Levied	\$542.27

Local Tax for Municipal Purposes Levied	542.27	\$2,342,237.56
---	--------	----------------

## TOWNSHIP OF LOWER ALLOWAYS CREEK

## CURRENT FUND

Statement of Revenue Accounts Receivable  
For the Year Ended December 31, 2010

	Balance Dec. 31, 2009	Accrued in 2010	Treasurer	Collected Collector	Balance Dec. 31, 2010
Clerk:					
Fees and Permits	\$255.54	\$4,671.94	\$4,695.11		\$232.37
Construction Code Official:					
Fees and Permits		8,535.00	8,535.00		
Planning and Zoning Board Fees		1,198.00	1,198.00		
Police Department:					
Fees and Permits		398.75	398.75		
Municipal Court:					
Fines and Costs	2,148.04	33,576.74	33,402.92		2,321.86
Interlocal Court Agreement Elsinboro					
Fines and Costs	370.00	6,160.00	5,891.50		638.50
POAA Fees		6.00	6.00		
Interest -- Regular		19.57	19.57		
Interest -- Bail		1.76	1.76		
Tax Search Fees		210.00		\$210.00	
Leisure Arms Rentals		148,268.97	148,268.97		
Senior Citizen Lunch Program		41,314.56	41,314.56		
Inter-Local Trash Agreement		145,856.00	145,856.00		
Inter-Local Police Services Agreement		85,000.00	85,000.00		
	\$2,773.58	\$475,217.29	\$474,588.14	\$210.00	\$3,192.73

## TOWNSHIP OF LOWER ALLOWAYS CREEK

## CURRENT FUND

Statement of 2009 Appropriation Reserves  
For the Year Ended December 31, 2010

	Balance Dec. 31 2009	Balance After Transfers	Accounts Payable	Disbursed	Balance Lapsed
<u>Reserve</u>	<u>Encumbrances</u>				
Operations within "CAPS" (Cont'd)					
General Government (Cont'd)					
Planning Board					
Salaries and Wages					
Other Expenses	\$4,032.32	\$4,032.32			\$4,032.32
Zoning Board of Adjustment					
Salaries and Wages	99.00	99.00			99.00
Insurance					
Unemployment Compensation Insurance	334.99	334.99			334.99
Workers' Compensation Insurance	2,384.00	2,384.00			2,384.00
Surety Bond Premiums	1,085.00	1,085.00			1,085.00
Group Insurance (N.J.S.A. 40A:10-16 et. seq.)	3,986.14	3,986.14		\$269.00	3,717.14
Public Safety					
Police					
Salaries and Wages	5,263.88	5,263.88			5,263.88
Other Expenses	1,330.97	11,974.92	\$472.27	10,670.21	832.44
Police Radio and Communications					
Salaries and Wages	1,280.05	1,280.05			1,280.05
Other Expenses	3,257.31	3,357.31			3,357.31
Office of Emergency Management					
Salaries and Wages	500.00	500.00			500.00
Other Expenses	1,942.62	1,942.62		16.18	1,926.44
Fire					
Other Expenses	116.88	6,156.68		5,449.80	706.88
Rescue					
Other Expenses	384.89	9,327.80		8,942.91	384.89
Municipal Prosecutor					
Salaries and Wages	1,505.04	1,505.04			1,505.04

(Continued)

## TOWNSHIP OF LOWER ALLOWAYS CREEK

## CURRENT FUND

## Statement of 2009 Appropriation Reserves

For the Year Ended December 31, 2010

	Balance Dec. 31 2009	Balance After Transfers	Accounts Payable	Disbursed	Balance Lapsed
<u>Reserve</u>	<u>Encumbrances</u>				
Operations within "CAPS" (Cont'd)					
Recreation and Education (Cont'd)					
Historical Sites					
Other Expenses	\$1,865.88	\$1,865.88			\$1,865.88
Housing Program					
Other Expenses	729.30	1,124.34			1,124.34
Celebration of Public Event, Anniversary or Holiday					
Other Expenses	500.00	500.00			500.00
Senior Citizen Lunch Program					
Salaries and Wages	493.17	493.17			493.17
Other Expenses	2,143.90	43,593.90		\$32,835.42	10,758.48
<u>Unclassified</u>					
Electricity	1,874.80	1,874.80			1,874.80
Street Lighting	413.01	413.01			413.01
Telephone	7,906.71	7,906.71		28.82	7,877.89
Heating Oil	2,001.07	12,001.07			12,001.07
Sewer System					
Salaries and Wages					
Other Expenses	10,228.18	121,066.94	\$500.00	107,735.93	12,831.01
Gasoline	43,442.66	63,442.66			63,442.66
Solid Waste Disposal Costs	4,509.98	4,509.98			4,509.98
<u>Appropriations Offset by Dedicated Revenues (N.J.A.C. 5:23-4.17)</u>					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	601.42	601.42			601.42
Other Expenses	1,275.00	1,275.00			1,275.00
Plumbing Inspection--Contractual	100.00	100.00			100.00
Electrical Inspection--Contractual	400.00	400.00			400.00
Fire Inspection--Contractual	1,100.00	1,100.00			1,100.00
Contingent	1,000.00	1,000.00			1,000.00

(Continued)

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**CURRENT FUND**  
Statement of Accounts Payable  
For the Year Ended December 31, 2010

---

Balance Dec. 31, 2009	\$43,359.39
Increased by:	
Transfer from 2009 Appropriation Reserves	<u>972.27</u>
Balance Dec. 31, 2010	<u><u>\$44,331.66</u></u>

## Exhibit SA-11

**CURRENT FUND**  
Statement of Due to State of New Jersey  
Veterans' and Senior Citizens' Exemptions  
For the Year Ended December 31, 2010

---

Balance Dec. 31, 2009	\$11,495.85
Increased by:	
Receipts	<u>26,750.00</u>
	38,245.85
Decreased by:	
Senior Citizens' and Veterans' Deductions	
per Tax Duplicate	\$26,500.00
Deductions Allowed by Tax Collector	
2010 Taxes	<u>750.00</u>
	<u>27,250.00</u>
Balance Dec. 31, 2010	<u><u>\$10,995.85</u></u>

## Exhibit SA-12

**CURRENT FUND**  
Statement of Due to State of New Jersey - State Training Fees  
For the Year Ended December 31, 2010

---

Receipts	\$1,370.00
Decreased by:	
Disbursements	<u>1,123.00</u>
Balance Dec. 31, 2010	<u><u>\$247.00</u></u>

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**CURRENT FUND**  
Statement of Reserve for Payment of Local District School Appropriation  
(R.S.40:48-17.1 and 17.3)  
For the Year Ended December 31, 2010

---

Balance Dec. 31, 2009	\$1,345,730.00
Increased by:	
2010 Budget Appropriation for Levy of Fiscal Year Ending June 30, 2011	<u>3,359,200.00</u>
	4,704,930.00
Decreased by:	
Payments	<u>3,025,530.00</u>
Balance Dec. 31, 2010	<u><u>\$1,679,400.00</u></u>



**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**FEDERAL AND STATE GRANT FUND**  
**Statement of Reserve for Federal and State Grants--Unappropriated**  
**For the Year Ended December 31, 2010**

<u>Program</u>	<u>Balance Dec. 31, 2009</u>	<u>Grants Receivable</u>	<u>Realized as Miscellaneous Revenue in 2010 Budget</u>	<u>Balance Dec. 31, 2010</u>
<b>Federal Grants:</b>				
Bulletproof Vest Partnership Grant Act	\$2,449.03		\$2,449.03	
<b>Total Federal Grants</b>	<b>2,449.03</b>	<b>-</b>	<b>2,449.03</b>	<b>-</b>
<b>State Grants:</b>				
Recycling Tonnage Grant	12,873.31	\$9,962.26	12,873.31	\$9,962.26
Body Armor Replacement Fund		2,263.59	817.43	1,446.16
Municipal Court Alcohol Education & Rehabilitation Fund	185.64	251.37	185.64	251.37
Municipal Alliance on Alcohol and Drug Abuse		3,513.34	3,513.34	
Clean Communities Program	6,782.02	7,062.22	6,782.02	7,062.22
Sustainable - NJ Grant		1,000.00	1,000.00	
Automatic License Plate Recognition System		6,336.59	6,336.59	
Senior Citizen and Disabled Resident Transportation Assistance Act Program	114,851.53	108,182.68	114,851.53	108,182.68
<b>Total State Grants</b>	<b>134,692.50</b>	<b>138,572.05</b>	<b>146,359.86</b>	<b>126,904.69</b>
<b>Total All Grants</b>	<b>\$137,141.53</b>	<b>\$138,572.05</b>	<b>\$148,808.89</b>	<b>\$126,904.69</b>

**SUPPLEMENTAL EXHIBITS**  
**TRUST FUND**

## TOWNSHIP OF LOWER ALLOWAYS CREEK

## TRUST FUND

## Statement of Trust Cash

Treasurer

For the Year Ended December 31, 2010

	Animal Control Fund	Other Funds
Balance Dec. 31, 2009		\$13,516,465.37
Increased by Receipts:		
Reserve for Animal Control Fund	\$4,181.80	
Due to State of New Jersey	787.20	
Current Fund	25.61	
Net Payroll		\$1,926,777.48
Payroll Deductions Payable and Employer Contributions		1,557,115.30
Miscellaneous Trust Reserves:		
Reserve for GB LTD Escrow		5.85
Reserve for Planning Board Escrow		4,667.59
Reserve for Self-Insurance Fund		10,700.45
Reserve for Municipal Drug Alliance Funds		1,992.24
Reserve for Recreation Activities		56.10
Reserve for Public Defender Fees		1,097.65
	<u>4,994.61</u>	<u>3,502,412.66</u>
Decreased by Disbursements:		
Expenditures Under R.S.4:19-15.11		17,018,878.03
Due to State of New Jersey	2,681.00	
Investments	787.20	
Purchase of New Investments		11,605,126.00
Amortization of Premium/Discount		44,188.17
Net Payroll		1,926,777.48
Payroll Deductions Payable		1,572,467.37
Due to Violent Crimes Compensation Board		4,954.44
Miscellaneous Trust Reserves:		
Reserve for Planning Board Escrow		7,523.67
Reserve for Self-Insurance Fund		286,917.98
Reserve for Municipal Drug Alliance Funds		1,330.36
Reserve for Public Defender Fees		450.00
	<u>3,468.20</u>	<u>15,449,735.47</u>
Balance Dec. 31, 2010	<u>\$6,699.64</u>	<u>\$1,569,142.56</u>

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**ANIMAL CONTROL FUND**  
**Statement of Reserve for Animal Control Expenditures**  
**For the Year Ended December 31, 2010**

Balance Dec. 31, 2009		\$4,295.20
Increased by:		
Receipts:		
Dog License Fees	\$3,656.80	
Cat Licenses Fees	<u>525.00</u>	
		<u>4,181.80</u>
		8,477.00
Decreased by:		
Disbursements:		
Expenditures Under R.S.4:19-15.11		<u>2,681.00</u>
Balance Dec. 31, 2010		<u><u>\$5,796.00</u></u>

License Fees Collected

Reserve for Animal Control Fund Expenditures

2009	\$4,762.20
2008	<u>2,709.20</u>
	<u><u>\$7,471.40</u></u>

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**TRUST OTHER FUND**  
**Statement of Payroll Deductions Payable**  
**For the Year Ended December 31, 2010**

Balance Dec. 31, 2009		\$16,367.19
Increased by:		
Employer Contributions	\$551,134.21	
Payroll Deductions	<u>1,005,981.09</u>	
		<u>1,557,115.30</u>
		1,573,482.49
Decreased by:		
Disbursements		<u>1,572,467.37</u>
Balance Dec. 31, 2010		<u><u>\$1,015.12</u></u>

Schedule of Payroll Deductions Payable Dec. 31, 2010

Description

Public Employees Retirement System	\$285.23	
Police and Firemen's Retirement System	517.87	
Miscellaneous	<u>212.02</u>	
		<u><u>\$1,015.12</u></u>

**SUPPLEMENTAL EXHIBITS**  
**GENERAL CAPITAL FUND**

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**GENERAL CAPITAL FUND**  
**Statement of General Capital Cash**  
**Treasurer**  
**For the Year Ended December 31, 2010**

Balance Dec. 31, 2009		\$41,067,674.04
Increased by Receipts		
Capital Improvement Fund -- New Jersey Transportation Grants		<u>252,080.92</u>
		\$41,319,754.96
Decreased by Disbursements:		
Purchase of Investments	\$10,000,000.00	
Contracts Payable	452,246.60	
Improvement Authorizations	<u>136,118.36</u>	
		<u>10,588,364.96</u>
Balance Dec. 31, 2010		<u><u>\$30,731,390.00</u></u>

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**GENERAL CAPITAL FUND**  
 Statement of Improvement Authorizations  
 For the Year Ended December 31, 2010

Improvement Description	Ord. Number	Amount	Balance		2010 Authorizations		Contract Awards	Encumbered	Canceled	Balance Dec. 31, 2010
			Funded	Dec. 31, 2009 Encumbrances	Capital Improvement Fund	Contracts Canceled				
Engineering for New Bridge	02-9	\$135,000.00	\$124,335.00							\$124,335.00
Hancocks Bridge Bank Improvements	04-16	310,000.00	88,775.35	\$9,896.83				\$9,571.83		88,729.02
Road Improvements	06-13					\$3,769.59				1,618.73
Equipment for Police Department	07-06	40,000.00				9,800.00				9,800.00
Road Repairs	07-10;	150,000.00								
	09-05	70,000.00	72,406.73							
	08-05;	105,000.00								
Improvements to Municipal Building and Grounds	09-05	40,000.00	47,520.10	8,250.85				10,300.00		45,349.70
Purchase of Public Works Equipment	08-05;	127,000.00								
	09-05	40,000.00	24,816.27							
Equipment for Police Department	08-10	30,000.00	7,734.75							
Brush Truck for Fire Department	09-05	48,000.00	5,877.92						\$6,459.75	21,591.46
Generators for Waste Water Plant	09-08;	85,000.00							5,877.92	
	09-17	30,000.00	1,397.00							
Reconstruction of Hogate Blvd. Section I	10-06	234,771.62			\$234,771.62		\$230,611.62	4,160.00		1,397.00
Reconstruction of Hogate Blvd. Section II	10-08	142,000.00			142,000.00		5,277.76	8,922.24		26,463.74
Dilution Study	10-09	70,000.00			70,000.00		62,272.01	4,727.99		3,000.00
			\$372,863.12	\$18,147.68	\$446,771.62	\$13,569.59	\$136,118.36	\$37,682.06	\$12,337.67	\$333,266.04



**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**PART 2**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**Schedule of Findings and Recommendations**  
**For the Year Ended December 31, 2010**

---

***Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

**Finding No. 2010-1**

**Criteria or Specific Requirement**

Assigning different people responsibility for authorizing transactions, recording transactions, reconciling information, and maintaining custody of assets reduces opportunity for any one employee to conceal errors or perpetrate fraud in the normal course of his or her duties.

**Condition**

The following control deficiencies have been identified in the design and operation of entity level and activity level controls, which are considered material weaknesses. There is a lack of segregation of duties evidenced by:

- a) The Chief Financial Officer collects, deposits, balances receipts to the posting journals and reconciles Township bank accounts.
- b) The Tax Collector is responsible for the collection, depositing and recording of cash receipts, the reconciliation of bank accounts, the recording of non-cash transactions.

**Context**

Our review of internal control procedures concluded a lack of segregation of duties for certain duties performed by the Chief Financial Officers and the Tax Collector.

**Effect**

Each of the conditions described above could result in an intentional or unintentional error or irregularity going undetected in the normal course of Township business.

**Cause**

Due to the size of the entity, there are a limited number of employees performing these types of procedures, resulting in inadequate segregation of duties.

Management or those individuals charged with governance have not developed compensating controls to help mitigate the control deficiencies identified above. Examples of compensating controls may include reassigning duties which are incompatible or having management review monthly reports, detailed transactions, and reconciliations in support of amounts of amounts reported in the financial statements.

**Recommendation**

That the Township review the material weaknesses identified in the design and operation of the entity level and activity level controls. This review should include the development of compensating controls to help mitigate the material weaknesses identified.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**Schedule of Findings and Recommendations**  
**For the Year Ended December 31, 2010**

---

***Schedule of Financial Statement Findings (Cont'd)***

**Finding No. 2010-3****Criteria or Specific Requirement**

Adequate subsidiary records should be maintained in support of amounts contained in the financial statements.

**Condition**

An analysis of Payroll Agency Liabilities has been prepared during 2010 but there are differences between employee withholdings and disbursements and amounts reported on the quarterly pension reports.

**Context**

Comparison of the 4<sup>th</sup> quarter 2010 pension reports to amounts reported as payroll deductions indicated many discrepancies between the amounts withheld and the amounts reported or indicated should have been withheld for pension loans and back deductions.

**Effect**

The Township does not maintain a proper record of payroll agency liabilities, and therefore the amount owed is not being properly reconciled with employee withholdings and subsequent disbursements to the various payroll agencies.

**Cause**

Unknown.

**Recommendation**

That the Township investigates the differences between employee withholdings and subsequent disbursements to the various payroll agencies.

**View of Responsible Officials and Planned Corrective Action**

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**TOWNSHIP OF LOWER ALLOWAYS CREEK  
Summary Schedule of Prior Year Audit Findings  
And Recommendations as Prepared by Management**

---

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**FINANCIAL STATEMENT FINDINGS**

**Finding No. 2009-1**

**Condition**

The following control deficiencies have been identified in the design and operation of entity level and activity level controls, which are considered material weaknesses. There is a lack of segregation of duties evidenced by:

- c) The Chief Financial Officer collects, deposits, balances receipts to the posting journals and reconciles Township bank accounts.
- d) The Tax Collector is responsible for the collection, depositing and recording of cash receipts, the reconciliation of bank accounts, the recording of non-cash transactions.

**Current Status**

This condition remains unresolved – see *finding no. 2010-1*.

**Planned Corrective Action**

The system of internal control is being reviewed to address the weaknesses identified. Incompatible functions will be segregated to the extent practicable.

**Finding No. 2009-2**

**Condition**

The general ledgers for all funds were not properly maintained and as a result numerous adjusting entries were required in order to achieve proper presentation in the financial statements. This condition is considered a material weakness in the Township's financial reporting system.

**Current Status**

This condition remains unresolved – see *finding no. 2010-2*.

**Planned Corrective Action**

Greater care will be taken to keep the general ledger and its subsidiary ledgers up to date. This will provide a more accurate representation of the Township's current financial condition and be more reliable in preparation of any financial statement.

**TOWNSHIP OF LOWER ALLOWAYS CREEK**  
**Officials in Office and Surety Bonds**

---

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>
Ellen B. Pompper	Mayor
Donna L. Rhubart	Deputy Mayor
George C. Stiles	Committeeman
Richard W. Venable	Committeeman
Sherman G. Wood, Jr.	Committeeman
George G. Rosenberger	Attorney
Kevin S. Clour	Chief Financial Officer; Purchasing Agent, Construction Clerk, Deputy Township Clerk and Deputy Registrar of Vital Statistics
D. Michelle Allen	Tax Collector, Utility Collector, and Tax Search Officer
Ronald L. Campbell, Sr.	Township Clerk; Municipal Improvement Search Clerk, Registrar of Vital Statistics
Nicolas T. Lacovara	Judge of the Municipal Court from April 19, 2010
Marita McCarthy-Carll	Municipal Court Administrator; Violations Clerk
Wayne Serfass	Construction Code Official, Building & Housing Sub-Code Official
John Carney	Zoning Official/Housing Official
Irene Carney	Zoning Board Secretary
Roy A. Duffield	Tax Assessor
Charles Franlinger	Township Engineer

**Surety Bond:**

All employees are covered under Gloucester, Salem, Cumberland Counties Joint Insurance Fund in the amount of \$1,000,000.